



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: **LM213Feb17**

In the matter between:

REDEFINE PROPERTIES LIMITED

Acquiring Firm

and

CIRANO INVESTMENTS 300 (PTY) LTD

Target Firm

**in respect of a 17.31 percent undivided share in
the property letting enterprise known as the Galleria**

Panel	: Andiswa Ndoni (Presiding Member)
	: Fiona Tregenna (Tribunal Member)
	: Enver Daniels (Tribunal Member)
Heard on	: 22 March 2017
Order Issued on	: 22 March 2017
Reasons Issued on	: 12 April 2017

Reasons for Decision

Approval

[1] On 22 March 2017, the Competition Tribunal ("Tribunal") approved the proposed transaction between Redefine Properties Limited ("Redefine") and Cirano Investments 300 (Pty) Ltd ("Cirano") in respect of a 17.31% undivided share in the property letting enterprise known as the Galleria ("Target Property").

[2] The reasons for approving the proposed transaction follow.

Parties to the Proposed Transaction

Primary Acquiring Firm

- [3] The primary acquiring firm is Redefine, a company incorporated in accordance with the laws of the Republic of South Africa. It is listed on the Johannesburg Securities Exchange and is not controlled by any firm. Redefine controls a number of firms, including Pivotal Fund Limited (“Pivotal”).

Primary Target Firm

- [4] The business being acquired is a 17.31% undivided co-ownership share in a property called the Galleria (“the Target Property”). The Target Property is currently owned through a joint venture by Redefine (45%), Pivotal (20%), Cirano (25%) and Absshelf 04 (Pty) Ltd (10%).

Proposed Transaction and Rationale

- [5] Redefine will increase its shareholding in the joint venture by acquiring an additional 17.31% interest from Cirano, thereby increasing its shareholding to 62.31%.¹ Post-transaction Redefine will control the Target Property.²
- [6] The Target Property represents a prime redevelopment site and the proposed transaction will allow Redefine to align with its investment strategy [REDACTED]. From Cirano's perspective, the planned redevelopment of the Target Property [REDACTED] does not fit within Cirano's investment strategy.

Relevant Market and Impact on Competition

¹ Pivotal intends acquiring the remaining 7.69% interest from Cirano, increasing its shareholding to 27.69%.

² Post-transaction Redefine will essentially hold a 90% shareholding, directly through Redefine (62.31%) and indirectly through Pivotal (27.69%), in the Target Property.

- [7] Redefine is a property investment company, which holds a diverse range of properties throughout South Africa. Relevant to the proposed transaction are the Acquiring Group's office, retail and residential properties located in Rosebank and surrounding areas.
- [8] The Target Property is situated in Rosebank, Gauteng Province, and currently comprises of 15 400m² Grade B Office space and 1 017m² retail space. The Target Property, however, is in the process of being redeveloped and once development is complete the Target Property will comprise 52 000m² of Grade P office space, 3 000m² of retail space and 25 000m² of residential space.
- [9] As such the Commission found a horizontal overlap in the provision of rentable space in office property, the provision of rentable space in retail property, and the provision of rentable space in residential property. It analysed these as three separate markets.
- [10] With regards to the market for the provision of rentable office property the Commission found a geographic overlap only in the provision of rentable Grade B office space but considered that Grade A and P office property within the Rosebank and adjacent nodes could constrain each other.³
- [11] In the market for the provision of rentable office property the Commission found that, post-transaction, the merged entity will account for 23.34% of the Grade B office property market and 16.7% of the Grade P and A office property market. In the market for the provision of rentable retail property the merged entity will have a market share of 6.6% post-transaction. Furthermore, the merged entity will continue to face competition from other players, including Growthpoint and Liberty as well as other new developments and convenience centres.
- [12] In terms of the market for the provision of rentable residential property, the rentable residential spaces in the final developed property will be sold to the

³ This is in accordance with the approach adopted by the Tribunal in *Investec Property (Pty) Ltd and Spareprops (Pty) Ltd in respect of Erf 247 Rosebank Township (019307)*.

general public and not kept by Redefine. As such the Commission did not assess the competitive effects in this market any further.

[13] The Commission is therefore of the view that the proposed transaction is unlikely to substantially prevent or lessen competition in any of the relevant markets. We concur with this finding.

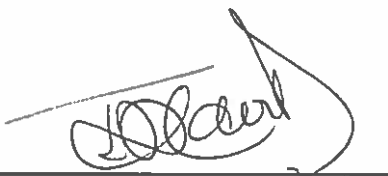
Public Interest

[14] The merging parties confirmed that the proposed transaction will not result in any adverse effect on employment as Cirano does not currently employ any employees in respect of the Target Property.⁴

[15] The Commission was of the view that the proposed transaction is unlikely to raise concerns on any other public interest grounds.

Conclusion

[16] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market or raise any adverse public interest issues. Accordingly, we approve the proposed transaction unconditionally.



Ms Andiswa Ndoni

12 April 2017

DATE

Prof Fiona Tregenna and Mr Enver Daniels concurring

Tribunal Researcher: Hayley Lyle
For the merging parties: Vani Chetty of Baker & McKenzie
For the Commission: Zintle Siyo

⁴ Page 47 of the Merger Record.